

Senior Living Trust Fund Appropriations Bill House File 740

Last Action:

**Senate Appropriations
Committee**

May 2, 2001

AN ACT relating to the Senior Living Program including provisions relating to and making appropriations from the Senior Living Trust Fund to the Department of Elder Affairs and the Department of Human Services, and including effective date and retroactive applicability provisions.



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LEGISLATIVE FISCAL BUREAU

NOTES ON BILLS AND AMENDMENTS (NOBA)

LFB Contacts: Lisa Burk (16765) Sam Leto (16764)

**EXECUTIVE SUMMARY
NOTES ON BILLS AND AMENDMENTS**

**HOUSE FILE 740
SENIOR LIVING TRUST FUND APPROPRIATIONS**

FUNDING SUMMARY

DEPARTMENT OF ELDER AFFAIRS
APPROPRIATION

NURSE AIDE RECRUITMENT AND
RETENTION

DEPENDENT ADULT ABUSE

HEALTH CARE FINANCING
ADMINISTRATION REGULATIONS

DEPARTMENT OF HUMAN
SERVICES APPROPRIATION

CONVERSION GRANTS

SUPPLEMENTARY ASSISTANCE

REIMBURSEMENT METHODOLOGY

ADMINISTRATIVE RULES FOR
CONVERSION GRANT PROJECTS

- House File 740 appropriates a total of \$51.8 million and 13.0 FTE positions from the Senior Living Trust Fund to the Department of Elder Affairs and the Department of Human Services (DHS). This is an increase of \$7.6 million and 1.0 FTE position compared to the FY 2001 estimated net appropriations.
- Appropriates \$5.3 million and 8.0 FTE positions from the Senior Living Trust Fund to the Department of Elder Affairs. This is an increase of \$1.1 million and 1.0 FTE position compared to the FY 2001 estimated net appropriation. The allocations are as follows: (Page 1, Line 1)
 - Allocates \$100,000 to fund recruitment and retention strategies for certified nurse aides. Requires the Department of Elder Affairs to contract with an organization whose primary mission is improving the nurse aide profession. (Page 1, Line 14)
 - Allocates \$256,000 for dependent adult abuse detection, training, and services. (Page 1, Line 26)
- Requires the Department of Elder Affairs to utilize the funds appropriated in Section 1 of the Bill in accordance with the regulations, requirements, or guidelines applicable to the Senior Living Program as set forth by the Health Care Financing Administration (HCFA). (Page 1, Line 29)
- Appropriates \$46.5 million and 5.0 FTE positions from the Senior Living Trust Fund to the Department of Human Services, an increase of \$6.5 million and no change in FTE positions compared to the FY 2001 estimated net appropriation. The appropriations are as follows: (Page 1, Line 34)
 - Appropriates \$20.0 million for nursing facility conversion grants for FY 2002, which is no change compared to the FY 2001 estimated net appropriation. (Page 1, Line 34)
 - Appropriates \$1.7 million and 5.0 FTE positions to supplement the Medical Assistance appropriation through the Home and Community-Based Waiver and the State Supplementary Assistance Program, a decrease of \$507,000 compared to the FY 2001 estimated net appropriation. (Page 2, Line 10)
 - Appropriates \$24.8 million for nursing facility provider reimbursements or reimbursement methodology changes, an increase of \$7.0 million compared to the FY 2001 estimated net appropriation. (Page 2, Line 20)
- Requires the DHS to adopt rules regarding nursing facility conversion grant applications giving greater priority to nursing facilities that renovate existing structures versus new construction, and to encourage cooperative efforts between the Department of Inspections and Appeals, the State Fire Marshal, and grant applicants in regard to renovation projects. (Page 2, Line 31)

EXECUTIVE SUMMARY NOTES ON BILLS AND AMENDMENTS

HOUSE FILE 740 SENIOR LIVING TRUST FUND APPROPRIATIONS

INTENT LANGUAGE

- Requires the Department of Elder Affairs to certify all assisted living programs established through grants, and requires consultation for establishment and monitoring of occupancy agreements. (Page 2, Line 31)

CASE-MIX REIMBURSEMENT

- Requires the DHS to reimburse nursing facilities in accordance with a phased-in, price-based case-mix reimbursement system, specifies components of the system, and requires a three-year phase-in period. (Page 3, Line 30)
- Details the formula requirements to be used by the DHS in computing nursing facility reimbursement rates for FY 2002 through FY 2004 and thereafter. (Page 3, Line 32; Page 4, Line 11; Page 4, Line 25; Page 4, Line 29)

ACCOUNTABILITY MEASURES

- Specifies that the DHS initiate and implement a system of accountability to measure nursing facility outcomes in the areas of quality of life and efficiency that will be used to increase nursing facility reimbursements based on favorable outcomes. (Page 7, Line 24)

INCREASED REIMBURSEMENT RATES

- Specifies that increases in nursing facility reimbursement rates under the case-mix adjusted component be used for the provision of direct care, requires the DHS to compile analyses regarding factors that increase direct care costs, and requires the DHS to submit these analyses to the General Assembly. (Page 8, Line 7)

ADMINISTRATIVE RULES

- Permits the DHS to adopt administrative rules to implement Section 4 of this Bill. (Page 10, Line 23)

CONVERSION GRANTS

- Specifies the award of nursing facility conversion grants on or after July 1, 2000, be used to convert all or a portion of a licensed nursing facility to a certified assisted living program. (Page 11, Line 1)
- Permits the DHS to provide conversion grants from the Senior Living Trust Fund appropriation to a licensed nursing facility that has been an approved provider under the medical assistance program for a two-year period prior to application for the grant. (Page 11, Line 34)
- Permits the DHS to provide conversion grants from the Senior Living Trust Fund appropriation to a long-term care provider or a licensed nursing facility that has been an approved provider under the medical assistance program for a two-year period prior to application for the grant or a provider that will meet applicable medical assistance provider requirements. (Page 12, Line 11)

SIGNIFICANT CHANGES TO THE CODE OF IOWA

- Changes the time periods a licensed nursing facility must be an approved provider under the medical assistance program in order to be eligible to receive a conversion grant. (Page 11, Line 34; Page 12, Line 11)
- Changes the definition of affordable in terms of rates for payment of services. (Page 11, Line 17)

EFFECTIVE DATE AND RETROACTIVE APPLICABILITY

- Specifies that Section 4 of this Bill, relating to nursing facility conversion grants, is effective upon enactment and provides that the Section is retroactively applicable to July 1, 2000. (Page 12, Line 21)

**EXECUTIVE SUMMARY
NOTES ON BILLS AND AMENDMENTS**

**HOUSE FILE 740
SENIOR LIVING TRUST FUND APPROPRIATIONS**

House File 740

House File 740 provides for the following changes to the Code of Iowa.

Page #	Line #	Bill Section	Action	Code Section	Description
2	27	2	Nwthstnds	8.33	Nonreversion of nursing facility provider reimbursement
10	23	4	Nwthstnds	17A.4(5) and 17A.8(9)	Administrative Rules
11	17	6	Amends	249H.3(1)	Defines affordability
11	34	7	Amends	249H.6(1)(a)	Time period for eligibility
12	11	7	Amends	249H.6(1)(b)	Time period for eligibility

1 1 Section 1. DEPARTMENT OF ELDER AFFAIRS APPROPRIATION.
 1 2 There is appropriated from the senior living trust fund
 1 3 created in section 249H.4 to the department of elder affairs
 1 4 for the fiscal year beginning July 1, 2001, and ending June
 1 5 30, 2002, the following amount, or so much thereof as is
 1 6 necessary, to be used for the purpose designated:
 1 7 For the development of a comprehensive senior living
 1 8 program, including program administration and costs associated
 1 9 with implementation, salaries, support, maintenance, and
 1 10 miscellaneous purposes, and for not more than the following
 1 11 full-time equivalent positions:
 1 12 \$ 5,285,426
 1 13 FTEs 8.00

Senior Living Trust Fund appropriation to the Department of Elder Affairs for the development of a comprehensive Senior Living Program.

DETAIL: This is an increase of \$1,097,303 and 1.0 FTE position compared to the FY 2001 estimated net appropriation.

1 14 1. Of the funds appropriated in this section, \$100,000
 1 15 shall be used by the department to fund recruitment and
 1 16 retention strategies to provide additional training and
 1 17 support for certified nurse aides, employed by nursing
 1 18 facilities, as a means of reducing staff turnover. The
 1 19 department shall contract with an agency or organization whose
 1 20 primary purpose is the improvement of the nurse aide
 1 21 profession through the provision of continuing education,
 1 22 support and empowerment programs, and career opportunities
 1 23 within the field of nurse assisting, with the goal of the
 1 24 further stabilization of the nurse aide workforce and the
 1 25 reduction of nurse aide turnover.

Requires a maximum allocation of \$100,000 of the Department of Elder Affairs appropriation be used to fund recruitment and retention strategies, additional training, and support for certified nurse aides in an effort to reduce staff turnover in nursing facilities. Requires the Department of Elder Affairs to contract with an agency or organization whose primary mission is the improvement of the nurse aide profession for this purpose.

DETAIL: This is a new allocation for FY 2002.

1 26 2. Of the funds appropriated in this section, \$255,800
 1 27 shall be used by the department to fund strategies for
 1 28 dependent adult abuse detection, training, and services.

Requires a maximum allocation of \$255,800 of the Department of Elder Affairs appropriation be used for dependent adult abuse detection, training, and services.

DETAIL: This is a new allocation for FY 2002.

1 29 3. The funds appropriated under this section shall be used

Requires the Department of Elder Affairs to utilize funds appropriated

1 30 in accordance with any regulations, requirements, or
 1 31 guidelines of the health care financing administration of the
 1 32 United States department of health and human services
 1 33 applicable to the senior living program.

from the Senior Living Trust Fund in accordance with the regulations, requirements, and guidelines applicable to the Senior Living Program as set forth by the Health Care Financing Administration (HCFA).

1 34 Sec. 2. DEPARTMENT OF HUMAN SERVICES APPROPRIATION. There
 1 35 is appropriated from the senior living trust fund created in
 2 1 section 249H.4 to the department of human services for the
 2 2 fiscal year beginning July 1, 2001, and ending June 30, 2002,
 2 3 the following amounts, or so much thereof as is necessary, to
 2 4 be used for the purposes designated:
 2 5 1. To provide grants to nursing facilities for conversion
 2 6 to assisted living programs or to provide long-term care
 2 7 alternatives and to provide grants to long-term care providers
 2 8 for development of long-term care alternatives:
 2 9 \$ 20,000,000

Senior Living Trust Fund appropriation to the Department of Human Services (DHS) for grants to nursing facilities to convert to assisted living programs or long-term care alternatives and for long-term care alternative grants.

DETAIL: This is no change compared to the FY 2001 estimated net appropriation.

2 10 2. To supplement the medical assistance appropriation and
 2 11 to provide reimbursement for health care services and rent
 2 12 expenses to eligible persons through the home and community-
 2 13 based services waiver and the state supplementary assistance
 2 14 program, including program administration and data system
 2 15 costs associated with implementation, salaries, support,
 2 16 maintenance, and miscellaneous purposes, and for not more than
 2 17 the following full-time equivalent positions:
 2 18 \$ 1,733,406
 2 19 FTEs 5.00

Senior Living Trust Fund appropriation to the DHS to supplement the Medical Assistance appropriation for health care services and rent expenses through the Home and Community-Based Waiver and the State Supplementary Assistance Program.

DETAIL: This is a decrease of \$506,628 and no change in FTE positions compared to the FY 2001 estimated net appropriation.

2 20 3. To implement nursing facility provider reimbursement
 2 21 based upon a case-mix reimbursement methodology:
 2 22 \$ 24,750,000

Senior Living Trust Fund appropriation to the DHS to implement nursing facility provider reimbursement increases based on case-mix reimbursement methodology.

DETAIL: This is an increase of \$7,000,000 compared to the FY 2001 estimated net appropriation.

2 23 a. In order to carry out the purposes of this subsection,
2 24 the department shall transfer funds appropriated in this
2 25 section to supplement other appropriations to the department
2 26 of human services.

Requires the DHS transfer funds to supplement other related appropriations to carry out the purposes of this Subsection.

2 27 b. Notwithstanding section 8.33, moneys appropriated under
2 28 this subsection that remain unencumbered or unobligated at the
2 29 close of the fiscal year shall be retained in the senior
2 30 living trust fund.

CODE: Requires that, notwithstanding Section 8.33, all unencumbered or unobligated moneys shall remain in the Senior Living Trust Fund and not revert to the General Fund at the end of FY 2002.

2 31 Sec. 3. CONVERSION GRANT PROJECTS -- RULES -- INTENT.

2 32 1. The department of human services shall adopt rules that
2 33 provide that beginning with applications for conversion grants
2 34 received on or after July 1, 2001, the department shall give
2 35 greater weight in the scoring methodology to nursing facility
3 1 conversion projects that are primarily the renovation and
3 2 remodeling of the existing nursing facility structure and give
3 3 less weight to conversion projects that are primarily new
3 4 construction. The department of human services shall
3 5 encourage cooperative efforts between the department of
3 6 inspections and appeals, the state fire marshal and the grant
3 7 applicant to promote the acceptance of nursing facility
3 8 conversion projects that are primarily renovation and
3 9 remodeling of the existing nursing facility structure.

Requires the DHS adopt rules regarding nursing facility conversion grant applications, giving greater weight to nursing facilities that renovate existing structures versus new construction, and to encourage cooperative efforts between the Department of Inspections and Appeals, the State Fire Marshal, and grant applicants in regard to renovation projects.

3 10 2. It is the intent of the general assembly that the
3 11 department of elder affairs certify all assisted living
3 12 programs established through nursing facility conversion
3 13 grants. The department of elder affairs shall consult with
3 14 conversion grant applicants and recipients to establish and
3 15 monitor occupancy agreements and assisted living program
3 16 residents shall be allowed access to third-party payors. The
3 17 department of elder affairs shall allow grant recipients to
3 18 revise and modify occupancy agreements to reflect rates that

Specifies that it is the intent of the General Assembly that the Department of Elder Affairs certify all assisted living programs established through grants, and requires consultation for establishment and monitoring of occupancy agreements.

3 19 are affordable, as defined in section 249H.3, during the ten-
3 20 year period of operation following the awarding of the grant
3 21 by the department of human services.

3 22 Sec. 4. MODIFIED PRICE-BASED CASE-MIX REIMBURSEMENT --
3 23 NURSING FACILITIES.

3 24 1. Beginning July 1, 2001, the department of human
3 25 services shall reimburse nursing facilities under the medical
3 26 assistance program in accordance with a phased-in, modified
3 27 price-based case-mix reimbursement system that includes a
3 28 case-mix adjusted component and a non-case-mix adjusted
3 29 component.

Requires the DHS to reimburse nursing facilities in accordance with a phased-in, price-based case-mix reimbursement system.

3 30 2. The modified price-based case-mix reimbursement rate
3 31 shall be phased in over a three-year period.

Requires the DHS to phase-in the price-based case-mix reimbursement rate over a three-year period.

3 32 a. For the fiscal year beginning July 1, 2001, and ending
3 33 June 30, 2002, 66.67 percent of a facility's reimbursement
3 34 rate shall be computed based on the current rate and 33.33
3 35 percent shall be computed based on the modified price-based
4 1 case-mix reimbursement rate. The current rate portion shall
4 2 be calculated from the cost reports submitted by nursing
4 3 facilities for the period ending on or before December 31,
4 4 2000, plus an inflation factor of 6.21 percent, with a maximum
4 5 current rate portion of \$94.00. A nursing facility shall not
4 6 receive a reimbursement rate under this paragraph that is less
4 7 than the rate received on June 30, 2001, plus an inflation
4 8 factor of 6.21 percent. For the purposes of this calculation,
4 9 any excess payment allowance received by the facility shall
4 10 not be considered part of the reimbursement rate.

Requires the DHS to compute a facility's reimbursement rate for FY 2002 by computing 66.67% of the reimbursement based on the cost-based rate and 33.33% based on the price-based case-mix rate.

Requires the cost-based rate be calculated from cost reports submitted by nursing facilities on or before December 31, 2000, to include an inflation factor of 6.21%, with the maximum reimbursement rate of \$94.00 per day. Specifies that the reimbursement rate is to be no less than the rate received on June 30, 2001, plus the inflation factor.

4 11 b. For the fiscal year beginning July 1, 2002, and ending
4 12 June 30, 2003, 33.33 percent of a facility's reimbursement

Requires the DHS to compute a facility's reimbursement rate for FY 2003 by computing 33.33% of the reimbursement based on the cost

4 13 rate shall be computed based on the current rate and 66.67
4 14 percent shall be computed based on the modified price-based
4 15 case-mix reimbursement rate. The current rate portion shall
4 16 be calculated from the current rate for the previous state
4 17 fiscal year, plus an additional inflation factor based on
4 18 HCFA/SNF index, with an estimated maximum current rate portion
4 19 of \$97.47. A nursing facility shall not receive a
4 20 reimbursement rate under this paragraph that is less than the
4 21 rate received on June 30, 2002, plus an inflation factor based
4 22 on the HCFA/SNF index. For the purposes of this calculation,
4 23 any excess payment allowance received by the facility shall
4 24 not be considered part of the reimbursement rate.

based rate and 66.67% based on the price-based case-mix rate.

Requires the cost-based rate be calculated from the cost-based rate for FY 2002, to include an inflation factor based on the Health Care Financing Administration/Skilled Nursing Facility (HCFA/SNF) index, with an estimated maximum reimbursement rate of \$97.47. Specifies that the reimbursement rate is to be no less than the rate received on June 30, 2002, plus the inflation factor.

4 25 c. For the fiscal year beginning July 1, 2003, and ending
4 26 June 30, 2004, and thereafter, 100 percent of a facility's
4 27 reimbursement rate shall be computed based on the modified
4 28 price-based case-mix reimbursement rate.

Requires the DHS to compute 100.00% of nursing facility reimbursement based on the price-based, case-mix reimbursement rate for FY 2004.

4 29 3. Modified price-based case-mix reimbursement rate
4 30 calculation.
4 31 a. The department of human services shall determine the
4 32 statewide median of nursing facility costs as follows:
4 33 (1) For the fiscal period beginning July 1, 2001, and
4 34 ending June 30, 2003, the department shall determine the
4 35 statewide median of nursing facility costs based upon each
5 1 facility's actual costs taken from the most recent cost
5 2 reports, submitted by the nursing facility for the period
5 3 ending on or before December 31, 2000, subject to certain
5 4 existing limitations and adjustments. These costs shall be
5 5 inflated forward to July 1, 2001, by using the midpoint of
5 6 each cost report and applying the HCFA/SNF index.
5 7 (2) Beginning July 1, 2003, and every other fiscal year
5 8 thereafter beginning on July 1 of the respective state fiscal
5 9 year, the department shall recalculate the statewide median of
5 10 nursing facility costs based upon the most recent cost reports

Specifies how the DHS shall calculate the price-based, case-mix reimbursement rate for FY 2002 - FY 2004 and each year thereafter.

5 11 submitted by the nursing facility for the period ending on or
5 12 before December 31 of the previous calendar year and shall
5 13 inflate these costs forward to the beginning of the state
5 14 fiscal year by using the midpoint of each cost report and
5 15 applying the HCFA/SNF index.

5 16 b. Beginning July 1, 2003, and thereafter, an occupancy
5 17 factor of 85 percent shall be applied when calculating the
5 18 nondirect care cost component of the modified price-based
5 19 case-mix reimbursement rate. The occupancy factor shall not
5 20 apply to support care costs.

5 21 c. The modified price-based case-mix reimbursement rate
5 22 paid to nursing facilities shall be calculated using the
5 23 statewide median cost as adjusted to reflect the case mix of
5 24 the medical assistance residents in the nursing facility.

5 25 d. (1) The department of human services shall use the
5 26 resource utilization groups-III (RUG-III), version 5.12b, 34
5 27 group, index maximizer model as the resident classification
5 28 system to determine a nursing facility's case-mix index, based
5 29 on data from the minimum data set (MDS) submitted by each
5 30 facility. Standard version 5.12b, 34 group case-mix indices,
5 31 developed by HCFA, shall be the basis for calculating the
5 32 average case-mix index and shall be used to adjust the direct-
5 33 care component in the determination of the rate ceiling and
5 34 the modified price-based case-mix reimbursement rate.

5 35 (2) The department of human services shall determine and
6 1 adjust each facility's case-mix index on a quarterly basis. A
6 2 separate calculation shall be made to determine the average
6 3 case-mix index for a facilitywide case-mix index, and a case-
6 4 mix index for the medical assistance residents of the nursing
6 5 facility using the minimum data set (MDS) report submitted by
6 6 the facility for the previous quarter, which reflects the
6 7 residents in the facility on the last day of the previous
6 8 calendar quarter.

6 9 e. The department shall calculate the rate ceiling for the
6 10 direct-care cost component at 120 percent of the median of
6 11 case-mix adjusted costs. Nursing facilities with case-mix
6 12 adjusted costs at 95 percent of the median or greater, shall

6 13 receive an amount equal to their costs not to exceed 120
6 14 percent of the median. Nursing facilities with case-mix
6 15 adjusted costs below 95 percent of the median shall receive an
6 16 excess payment allowance by having their payment rate for the
6 17 direct-care cost component calculated as their case-mix
6 18 adjusted cost plus 100 percent of the difference between 95
6 19 percent of the median and their case-mix adjusted cost, not to
6 20 exceed 10 percent of the median of case-mix adjusted costs.
6 21 f. The department shall calculate the rate ceiling for the
6 22 nondirect care cost component at 110 percent of the median of
6 23 non-case-mix adjusted costs. Nursing facilities with non-
6 24 case-mix adjusted costs at 96 percent of the median or greater
6 25 shall receive an amount equal to their costs not to exceed 110
6 26 percent of the median. Nursing facilities with non-case-mix
6 27 adjusted costs below 96 percent of the median shall receive an
6 28 excess payment allowance that is their costs plus 65 percent
6 29 of the difference between 96 percent of the median and their
6 30 non-case-mix adjusted costs, not to exceed 8 percent of the
6 31 median of non-case-mix adjusted costs.
6 32 g. The department shall apply the geographic wage index
6 33 adjustment annually to the case-mix adjusted component of the
6 34 modified price-based case-mix reimbursement rate for nursing
6 35 facilities located in standard metropolitan statistical area
7 1 counties in Iowa identified by HCFA. This rate shall be
7 2 calculated using the case-mix adjusted costs of the nursing
7 3 facility, not to exceed \$8 per patient day. A nursing
7 4 facility may request an exception to application of the
7 5 geographic wage index based upon a reasonable demonstration of
7 6 wages, location, or total cost. A request for an exception
7 7 shall be submitted to the department of human services within
7 8 30 days of receipt of notification by the nursing facility of
7 9 the new reimbursement rate. The exception request shall
7 10 include an explanation of the circumstances and supporting
7 11 data.
7 12 h. For the purpose of determining the median applicable to
7 13 Medicare-certified hospital-based skilled nursing facilities,
7 14 the department shall treat such facilities as a separate peer

7 15 group.

7 16 i. The modified price-based case-mix reimbursement rate
7 17 for state-operated nursing facilities and special population
7 18 nursing facilities shall be the average allowable per diem
7 19 costs, adjusted for inflation, based on the most current
7 20 financial and statistical report. Special population nursing
7 21 facilities enrolled on or after June 1, 1993, shall have a
7 22 rate ceiling equal to the rate ceiling for Medicare-certified
7 23 hospital-based nursing facilities.

7 24 4. ACCOUNTABILITY MEASURES.

7 25 a. It is the intent of the general assembly that the
7 26 department of human services initiate a system to measure a
7 27 variety of elements to determine a nursing facility's capacity
7 28 to provide quality of life and appropriate access to medical
7 29 assistance program beneficiaries in a cost-effective manner.
7 30 Beginning July 1, 2001, the department shall implement a
7 31 process to collect data for these measurements and shall
7 32 develop procedures to increase nursing facility reimbursements
7 33 based upon a nursing facility's achievement of multiple
7 34 favorable outcomes as determined by these measurements. Any
7 35 increased reimbursement shall not exceed 3 percent of the
8 1 calculation of the modified price-based case-mix reimbursement
8 2 median. The increased reimbursement shall be included in the
8 3 calculation of nursing facility modified price-based payment
8 4 rates beginning July 1, 2002, with the exception of Medicare-
8 5 certified hospital-based nursing facilities, state-operated
8 6 nursing facilities, and special population nursing facilities.

Specifies it is the intent of the General Assembly that the DHS initiate a system of accountability measures regarding quality of life and nursing facility efficiency, and that permit access to medical assistance program beneficiaries. Requires the DHS to implement a process to collect data regarding accountability measures and to develop procedures to increase nursing facility reimbursement not more than 3.00% as a result of favorable outcomes based on these measurements.

8 7 b. It is the intent of the general assembly that increases
8 8 in payments to nursing facilities under the case-mix adjusted
8 9 component shall be used for the provision of direct care with
8 10 an emphasis on compensation to direct care workers. The
8 11 department shall compile and provide a detailed analysis to
8 12 demonstrate growth of direct care costs, increased acuity, and

Specifies it is the intent of the General Assembly that increases in nursing facility reimbursement rates under the case-mix adjusted component be used for the provision of direct care. Requires the DHS to compile information regarding the growth of direct care costs, increased acuity, resident care needs, and provider cost reports. Requires the DHS to provide the results of these analyses to the General Assembly.

8 13 care needs of residents. The department shall also provide
 8 14 analysis of cost reports submitted by providers and the
 8 15 resulting desk review and field audit adjustments to
 8 16 reclassify and amend provider cost and statistical data. The
 8 17 results of these analyses shall be submitted to the general
 8 18 assembly for evaluation to determine payment levels following
 8 19 the transition funding period.

8 20 5. As used in this section:

- 8 21 a. "Case-mix" means a measure of the intensity of care and
 8 22 services used by similar residents in a facility.
 8 23 b. "Case-mix adjusted costs" means specified costs
 8 24 adjusted for acuity by the case-mix index. Costs subject to
 8 25 adjustment are the salaries and benefits of registered nurses,
 8 26 licensed practical nurses, certified nursing assistants,
 8 27 rehabilitation nurses, and contracted nursing services.
 8 28 c. "Case-mix index" means a numeric score within a
 8 29 specific range that identifies the relative resources used by
 8 30 similar residents and represents the average resource
 8 31 consumption across a population or sample.
 8 32 d. "Excess payment allowance" means an amount stated as a
 8 33 percentage that is calculated as a percent of the difference
 8 34 between the excess payment ceiling and a nursing facility's
 8 35 costs.
 9 1 e. "Excess payment ceiling" or "profit ceiling" means an
 9 2 amount stated in terms of per patient day that is calculated
 9 3 as a percent of the median.
 9 4 f. "Facilitywide average case-mix index" is a simple
 9 5 average, carried to four decimal places, of all resident case-
 9 6 mix indices based on the last day of each calendar quarter.
 9 7 g. "Geographic wage index" means an annual calculation of
 9 8 the average difference between the hospital-based rural wage
 9 9 index for Iowa and Iowa hospital-based standard metropolitan
 9 10 statistical area wage indices as published by HCFA each July.
 9 11 The wage factor shall be revised when the skilled nursing
 9 12 facility wage indices are released by HCFA.

Provides definitions for the following terms contained in the Bill:

1. Case-mix
2. Case-mix adjusted costs
3. Case-mix index
4. Excess payment allowance
5. Excess payment ceiling or Profit Ceiling
6. Facilitywide average case-mix index
7. Geographic wage index
8. HCFA
9. HCFA/SNF index
10. Median
11. Medicaid or Medical Assistance
12. Medicaid average case-mix index
13. Medicare
14. Minimum data set or MDS
15. Non-case mix adjusted costs
16. Nursing facility
17. Rate ceiling or Upper Payment Limit
18. Special population nursing facility

9 13 h. "HCFA" means the health care financing administration
9 14 of the United States department of health and human services.

9 15 i. "HCFA/SNF index" means the HCFA total skilled nursing
9 16 facility market basket index published by data resources, inc.
9 17 The HCFA/SNF index listed in the latest available quarterly
9 18 publication prior to the July 1 rate setting shall be used to
9 19 determine the inflation factor which shall be applied based
9 20 upon the midpoint of the cost report period.

9 21 j. "Median" means the median cost calculated by using a
9 22 weighting method based upon total patient days of each nursing
9 23 facility.

9 24 k. "Medicaid" or "medical assistance" means medical
9 25 assistance as defined in section 249A.2.

9 26 l. "Medicaid average case-mix index" means the simple
9 27 average, carried to four decimal places, of all resident case-
9 28 mix indices where Medicaid is known to be the per diem payor
9 29 source on the last day of the calendar quarter.

9 30 m. "Medicare" means the federal Medicare program
9 31 established by Title XVIII of the federal Social Security Act.

9 32 n. "Minimum data set" or "MDS" means the federally
9 33 required resident assessment tool. Information from the MDS
9 34 is used by the department to determine the facility's case-mix
9 35 index.

10 1 o. "Non-case-mix adjusted costs" means an amount stated in
10 2 terms of per patient day that is calculated using allowable
10 3 costs from the cost reports of facilities, divided by the
10 4 allowable patient days for the cost report period, and
10 5 beginning July 1, 2003, patient days as modified pursuant to
10 6 subsection 3, paragraph "b". Non-case-mix adjusted costs
10 7 include all allowable costs less case-mix adjusted costs.

10 8 p. "Nursing facility" means a skilled nursing facility
10 9 certified under both the federal Medicaid program and the
10 10 federal Medicare program, and a nursing facility certified
10 11 under the federal Medicaid program.

10 12 q. "Rate ceiling" or "upper payment limit" means a maximum
10 13 rate amount stated in terms of per patient day that is
10 14 calculated as a percent of the median.

10 15 r. "Special population nursing facility" means a skilled
10 16 nursing facility the resident population of which is either of
10 17 the following:

10 18 (1) One hundred percent of the residents of the nursing
10 19 facility is under the age of 22 and require the skilled level
10 20 of care.

10 21 (2) Seventy percent of the residents served requires the
10 22 skilled level of care for neurological disorders.

10 23 6. The department of human services may adopt rules under
10 24 section 17A.4, subsection 2, and section 17A.5, subsection 2,
10 25 paragraph "b", to implement this section. The rules shall
10 26 become effective immediately upon filing, unless the effective
10 27 date is delayed by the administrative rules review committee,
10 28 notwithstanding section 17A.4, subsection 5, and section
10 29 17A.8, subsection 9, or a later effective date is specified in
10 30 the rules. Any rules adopted in accordance with this section
10 31 shall not take effect before the rules are reviewed by the
10 32 administrative rules review committee. Any rules adopted in
10 33 accordance with the provisions of this section shall also be
10 34 published as notice of intended action as provided in section
10 35 17A.4.

Permits the DHS to adopt administrative rules to implement Section 4 of this Bill. The rules are effective upon filing or on a later date specified in the rules. Publication of intended action is required.

CODE: Requires that, notwithstanding Section 17A.4(5) and Section 17A.8(9), the administrative rules shall become effective immediately upon filing unless the Administrative Rules Committee delays the effective date, or a later date is specified in the rules.

11 1 Sec. 5. NURSING FACILITY CONVERSION GRANTS. The nursing
11 2 facility conversion grants awarded on or after July 1, 2000,
11 3 may be used to convert all or a portion of the licensed
11 4 nursing facility to a certified assisted-living program. The
11 5 conversion program shall provide a service delivery package
11 6 that is affordable for those individuals eligible for services
11 7 under the medical assistance home and community-based services
11 8 waiver program applicable to a minimum of 40 percent of the
11 9 units. The reimbursement rates for the costs paid under the
11 10 medical assistance program apply only to those clients
11 11 participating in the medical assistance program. The
11 12 department of human services shall adjust the criteria for

Permits the award of nursing facility conversion grants on or after July 1, 2000, be used to convert all or a portion of a licensed nursing facility to a certified assisted living program. Provides conversion program criteria for service affordability, reimbursement rate costs, and eligibility. Requires the DHS to adjust criteria for eligibility for conversion grants.

11 13 eligibility for conversion grants to allow a licensed nursing
11 14 facility that has been an approved provider under the medical
11 15 assistance program for a two-year period to apply for a
11 16 conversion grant beginning July 1, 2001.

11 17 Sec. 6. Section 249H.3, subsection 1, Code 2001, is
11 18 amended to read as follows:
11 19 1. "Affordable" means rates for payment of room, board,
11 20 amenities, and medical and health services which do not exceed
11 21 the rates established for providers of medical and health
11 22 services under the medical assistance program with eligibility
11 23 for an individual equal to the eligibility for medical
11 24 assistance pursuant to section 249A.3 may be purchased, in
11 25 conjunction with third-party payors, by seniors with low and
11 26 moderate incomes in the market area of the providers of such
11 27 services. In relation to services provided by a provider of
11 28 services under a home and community-based waiver, "affordable"
11 29 means that the total monthly cost of the home and community-
11 30 based waiver services provided does not exceed the cost for
11 31 that level of care as established by rule by the department of
11 32 human services, pursuant to chapter 17A, in consultation with
11 33 the department of elder affairs.

CODE: Amends the definition of affordable in terms of rates for payment of services.

11 34 Sec. 7. Section 249H.6, subsection 1, paragraphs a and b,
11 35 Code 2001, are amended to read as follows:
12 1 a. A licensed nursing facility that has been an approved
12 2 provider under the medical assistance program for the ~~three-~~
12 3 ~~year two-year~~ period prior to application for the grant. The
12 4 grant awarded may be used to convert all or a portion of the
12 5 licensed nursing facility to a certified assisted-living
12 6 program and may be used for capital or one-time expenditures,
12 7 including but not limited to start-up expenses, training
12 8 expenses, and operating losses for the first year of operation
12 9 following conversion associated with the nursing facility
12 10 conversion.

CODE: Specifies a change in the number of years, from three years to two years, that a facility must have been an approved provider under the Medical Assistance Program in order to apply for a conversion grant.

12 11 b. A long-term care provider or a licensed nursing
12 12 facility that has been an approved provider under the medical
12 13 assistance program for the ~~three-year~~ two-year period prior to
12 14 application for the grant or a provider that will meet
12 15 applicable medical assistance provider requirements as
12 16 specified in subsection 2, paragraph "c" or "d". The grant
12 17 awarded may be used for capital or one-time expenditures,
12 18 including but not limited to start-up expenses, training
12 19 expenses, and operating losses for the first year of operation
12 20 for long-term care service development.

CODE: Specifies a change in the number of years, from three years to two years, that a long-term care provider or licensed nursing facility must have been an approved provider under the Medical Assistance Program in order to apply for a conversion grant.

12 21 Sec. 8. EFFECTIVE DATE -- RETROACTIVE APPLICABILITY. The
12 22 provision of the section of this Act relating to nursing
12 23 facility conversion grants awarded on or after July 1, 2000,
12 24 being deemed of immediate importance, takes effect upon
12 25 enactment and is retroactively applicable to July 1, 2000.

Specifies that Section 4 of this Bill, relating to nursing facility conversion grants, is effective upon enactment and is retroactively applicable to July 1, 2000.

12 26 HF 740
12 27 pf/es/25

Summary Data

Non General Fund

H.F. 740	Actual FY 2000	Estimated Net FY 2001	House Action FY 2002	Senate Approp FY 2002	Senate Approp vs House Act	Page & Line Number
	(1)	(2)	(3)	(4)	(5)	(6)
Health and Human Rights	\$ 0	\$ 4,188,123	\$ 5,285,426	\$ 5,285,426	\$ 0	
Human Services	\$ 0	\$ 39,990,034	\$ 46,483,406	\$ 46,483,406	\$ 0	
Grand Total	\$ 0	\$ 44,178,157	\$ 51,768,832	\$ 51,768,832	\$ 0	

Health and Human Rights

Non General Fund

H.F. 740	Actual FY 2000	Estimated Net FY 2001	House Action FY 2002	Senate Approp FY 2002	Senate Approp vs House Act	Page & Line Number
	(1)	(2)	(3)	(4)	(5)	(6)
<u>Elder Affairs, Department of</u>						
Aging Programs-SLTF		\$ 4,188,123	\$ 5,285,426	\$ 5,285,426	\$ 0	PG 1 LN 1
Grand Total	\$ 0	\$ 4,188,123	\$ 5,285,426	\$ 5,285,426	\$ 0	

Human Services

Non General Fund

H.F. 740	Actual FY 2000	Estimated Net FY 2001	House Action FY 2002	Senate Approp FY 2002	Senate Approp vs House Act	Page & Line Number
	(1)	(2)	(3)	(4)	(5)	(6)
Human Services, Department of						
LTC Provider Rate Changes-SLTF	\$ 0	\$ 17,750,000	\$ 24,750,000	\$ 24,750,000	\$ 0	PG 2 LN 20
Nurse Facility Conv. Grnts-SLT	0	20,000,000	20,000,000	20,000,000	0	PG 1 LN 34
LTC Alternative Services-SLTF	0	2,240,034	1,733,406	1,733,406	0	PG 2 LN 10
Total Human Services	\$ 0	\$ 39,990,034	\$ 46,483,406	\$ 46,483,406	\$ 0	

Summary Data

FTE

H.F. 740	Actual FY 2000	Estimated Net FY 2001	House Action FY 2002	Senate Approp FY 2002	Senate Approp vs House Act	Page & Line Number
	(1)	(2)	(3)	(4)	(5)	(6)
Health and Human Rights	0.00	7.00	8.00	8.00	0.00	
Human Services	0.00	5.00	5.00	5.00	0.00	
Grand Total	0.00	12.00	13.00	13.00	0.00	

Health and Human Rights

FTE

H.F. 740	Actual FY 2000	Estimated Net FY 2001	House Action FY 2002	Senate Approp FY 2002	Senate Approp vs House Act	Page & Line Number
	(1)	(2)	(3)	(4)	(5)	(6)
<u>Elder Affairs, Department of</u>						
Aging Programs - SLTF		7.00	8.00	8.00	0.00	PG 1, LN 1
Grand Total	0.00	7.00	8.00	8.00	0.00	

Human Services

FTE

H.F. 740	Actual FY 2000	Estimated Net FY 2001	House Action FY 2002	Senate Approp FY 2002	Senate Approp vs House Act	Page & Line Number
	(1)	(2)	(3)	(4)	(5)	(6)
<u>Human Services, Department of</u>						
LTC Alternative Services-SLTF		5.00	5.00	5.00	0.00	PG 2 LN 10
Grand Total	0.00	5.00	5.00	5.00	0.00	